



**Federal Energy Regulatory Commission
June 15, 2006
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher**

E-1: Devon Power LLC, *et al.* (ER03-563-055)

"New England is facing the prospect of an electricity supply problem, maybe not today, maybe not this summer, but soon. This is not a matter in dispute.

At oral argument held in this proceeding last September, the nature of the problem facing New England became apparent. Demand for electricity in the region was growing, supply was not increasing to meet demand, and the region was facing the prospect of real supply shortages and very high prices. There was consensus around these basic facts, although there were disagreements about how soon supply shortages and high prices might be realized. There is little doubt that New England is not adding sufficient electricity supply. In fact, last year New England added a total of 11 megawatts to its regional electricity supply. At the same time, peak demand rose by 2,700 megawatts.

The Commission held oral argument on the ISO New England's location installed capacity mechanism proposal (LICAP) in large part because the region was concerned it was being denied an opportunity to propose a workable alternative. There was sufficient consensus that the Commission urged the parties to engage in settlement discussions around an alternative to the ISO New England LICAP proposal. We authorized settlement discussions and appointed a settlement judge.

These discussions were productive, and resulted in the settlement before us today.

The great majority of the parties settled. They realized that it was better for the region to propose a regional solution to this serious problem facing New England. They negotiated in good faith on a series of difficult issues. They acted responsibly. They also trusted that the Commission would give the views of the region appropriate deference. I want to commend the settling parties for working collaboratively to reach this settlement.

There were some significant nonsettling parties. I will not criticize the nonsettling parties, some of them played responsible roles in the proceeding, particularly Maine.

We find the settlement is just and reasonable, and will serve to assure adequate electricity supply and just and reasonable wholesale power prices in New England. Specifically, we find the settlement meets the standard of review under *Trailblazer*.

Our decision today is not without controversy, and I am sure it will be criticized by some in the region. In the end, I would prefer to be criticized for acting to prevent a crisis, a crisis that New England knows is coming, than be criticized for failing to act responsibly."